

CERTIFICATION OF ENROLLMENT
ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1095

Chapter 19, Laws of 2015

64th Legislature
2015 3rd Special Session

THERMAL ENERGY EFFICIENCY

EFFECTIVE DATE: 10/9/2015

Passed by the House June 28, 2015
Yeas 95 Nays 2

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate June 30, 2015
Yeas 44 Nays 0

PAM ROACH

President of the Senate
Approved July 6, 2015 3:57 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1095** as passed by House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED
July 7, 2015

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 1095

Passed Legislature - 2015 3rd Special Session

State of Washington

64th Legislature

2015 Regular Session

By House Appropriations (originally sponsored by Representatives Morris and Hudgins)

READ FIRST TIME 02/27/15.

1 AN ACT Relating to promoting thermal energy efficiency; amending
2 RCW 39.35.010, 39.35.020, 39.35.040, 19.280.030, 19.280.060, and
3 80.04.550; reenacting and amending RCW 39.35.030 and 19.280.020;
4 adding new sections to chapter 19.280 RCW; adding new sections to
5 chapter 70.94 RCW; and creating a new section.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** The legislature finds that it is in the
8 public interest to encourage and foster the development of a thermal
9 standard and to encourage combined heat and power (cogeneration)
10 systems throughout the state. Combined heat and power systems can
11 help the state achieve energy independence and comply with new
12 federal electric energy emission efficiency standards by generating
13 both electric power and useful thermal energy from a single fuel
14 source, thereby increasing energy efficiency and decreasing grid-
15 based emissions. It is the intent of the legislature to promote the
16 deployment of combined heat and power by requiring consideration of
17 combined heat and power systems in the construction of new critical
18 governmental facilities, incorporating reports on combined heat and
19 power facilities in integrated resource plans, and streamlining the
20 process by which combined heat and power facilities obtain permits.

1 **Sec. 2.** RCW 39.35.010 and 2001 c 214 s 15 are each amended to
2 read as follows:

3 The legislature hereby finds:

4 (1) That major publicly owned or leased facilities have a
5 significant impact on our state's consumption of energy;

6 (2) That energy conservation practices including energy
7 management systems, combined heat and power systems, and renewable
8 energy systems adopted for the design, construction, and utilization
9 of such facilities will have a beneficial effect on our overall
10 supply of energy;

11 (3) That the beneficial effect of the electric output from
12 combined heat and power systems includes both energy and capacity
13 value;

14 (4) That the cost of the energy consumed by such facilities over
15 the life of the facilities shall be considered in addition to the
16 initial cost of constructing such facilities;

17 ~~((4))~~ (5) That the cost of energy is significant and major
18 facility designs shall be based on the total life-cycle cost,
19 including the initial construction cost, and the cost, over the
20 economic life of a major facility, of the energy consumed, and of the
21 operation and maintenance of a major facility as they affect energy
22 consumption; and

23 ~~((5))~~ (6) That the use of energy systems in these facilities
24 which utilize combined heat and power or renewable resources such as
25 solar energy, wood or wood waste, or other nonconventional fuels, and
26 which incorporate energy management systems, shall be considered in
27 the design of all publicly owned or leased facilities.

28 **Sec. 3.** RCW 39.35.020 and 1982 c 159 s 2 are each amended to
29 read as follows:

30 The legislature declares that it is the public policy of this
31 state to ~~((insure))~~ ensure that energy conservation practices and
32 renewable energy systems are employed in the design of major publicly
33 owned or leased facilities and that the use of at least one renewable
34 energy or combined heat and power system is considered. To this end
35 the legislature authorizes and directs that public agencies analyze
36 the cost of energy consumption of each major facility and each
37 critical governmental facility to be planned and constructed or
38 renovated after September 8, 1975.

1 **Sec. 4.** RCW 39.35.030 and 2011 1st sp.s. c 43 s 247 are each
2 reenacted and amended to read as follows:

3 For the purposes of this chapter the following words and phrases
4 shall have the following meanings unless the context clearly requires
5 otherwise:

6 (1) (~~("Cogeneration")~~) "Combined heat and power" means the
7 sequential generation of (~~two or more forms of energy from a common~~
8 ~~fuel or energy source. Where these forms are electricity and thermal~~
9 ~~energy, then the operating and efficiency standards established by 18~~
10 ~~C.F.R. Sec. 292.205 and the definitions established by 18 C.F.R.~~
11 ~~292.202 (c) through (m) as of July 28, 1991, shall apply~~))
12 electricity and useful thermal energy from a common fuel source
13 where, under normal operating conditions, the facility has a useful
14 thermal energy output of no less than thirty-three percent of the
15 total energy output.

16 (2) "Critical governmental facility" means a building or district
17 energy system owned by the state or a political subdivision of the
18 state that is expected to:

19 (a) Be continuously occupied;
20 (b) Maintain operations for at least six thousand hours each
21 year;

22 (c) Have a peak electricity demand exceeding five hundred
23 kilowatts; and

24 (d) Serve a critical public health or public safety function
25 during a natural disaster or other emergency situation that may
26 result in a widespread power outage, including a:

27 (i) Command and control center;
28 (ii) Shelter;
29 (iii) Prison or jail;
30 (iv) Police or fire station;
31 (v) Communications or data center;
32 (vi) Water or wastewater treatment facility;
33 (vii) Hazardous waste storage facility;
34 (viii) Biological research facility;
35 (ix) Hospital; or
36 (x) Food preparation or food storage facility.

37 (3) "Department" means the state department of enterprise
38 services.

39 (~~((3))~~) (4) "Design standards" means the heating, air-
40 conditioning, ventilating, and renewable resource systems identified,

analyzed, and recommended by the department as providing an efficient energy system or systems based on the economic life of the selected buildings.

~~((4))~~ (5) "Economic life" means the projected or anticipated useful life of a major facility as expressed by a term of years.

~~((5))~~ (6) "Energy management system" means a program, energy efficiency equipment, technology, device, or other measure including, but not limited to, a management, educational, or promotional program, smart appliance, meter reading system that provides energy information capability, computer software or hardware, communications equipment or hardware, thermostat or other control equipment, together with related administrative or operational programs, that allows identification and management of opportunities for improvement in the efficiency of energy use, including but not limited to a measure that allows:

(a) Energy consumers to obtain information about their energy usage and the cost of energy in connection with their usage;

(b) Interactive communication between energy consumers and their energy suppliers;

(c) Energy consumers to respond to energy price signals and to manage their purchase and use of energy; or

(d) For other kinds of dynamic, demand-side energy management.

~~((6))~~ (7) "Energy systems" means all utilities, including, but not limited to, heating, air-conditioning, ventilating, lighting, and the supplying of domestic hot water.

~~((7))~~ (8) "Energy-consumption analysis" means the evaluation of all energy systems and components by demand and type of energy including the internal energy load imposed on a major facility or a critical governmental facility by its occupants, equipment, and components, and the external energy load imposed on a major facility or a critical governmental facility by the climatic conditions of its location. An energy-consumption analysis of the operation of energy systems of a major facility or a critical governmental facility shall include, but not be limited to, the following elements:

(a) The comparison of three or more system alternatives, at least one of which shall include renewable energy systems, and one of which shall comply at a minimum with the sustainable design guidelines of the United States green building council leadership in energy and environmental design silver standard or similar design standard as may be adopted by rule by the department;

1 (b) The simulation of each system over the entire range of
2 operation of such facility for a year's operating period; ~~((and))~~

3 (c) The evaluation of the energy consumption of component
4 equipment in each system considering the operation of such components
5 at other than full or rated outputs;

6 (d) The identification and analysis of critical loads for each
7 energy system; and

8 (e) For a critical governmental facility, a combined heat and
9 power system feasibility assessment, including but not limited to an
10 evaluation of: (i) Whether equipping the facility with a combined
11 heat and power system would result in expected energy savings in
12 excess of the expected costs of purchasing, operating, and
13 maintaining the system over a fifteen-year period; and (ii) the cost
14 of integrating the variability of combined heat and power resources.

15 The energy-consumption analysis shall be prepared by a
16 professional engineer or licensed architect who may use computers or
17 such other methods as are capable of producing predictable results.

18 ~~((8))~~ (9) "Initial cost" means the moneys required for the
19 capital construction or renovation of a major facility.

20 ~~((9))~~ (10) "Life-cycle cost" means the initial cost and cost of
21 operation of a major facility or a critical governmental facility
22 over its economic life. This shall be calculated as the initial cost
23 plus the operation, maintenance, and energy costs over its economic
24 life, reflecting anticipated increases in these costs discounted to
25 present value at the current rate for borrowing public funds, as
26 determined by the office of financial management. The energy cost
27 projections used shall be those provided by the department. The
28 department shall update these projections at least every two years.

29 ~~((10))~~ (11) "Life-cycle cost analysis" includes, but is not
30 limited to, the following elements:

31 (a) The coordination and positioning of a major facility or a
32 critical governmental facility on its physical site;

33 (b) The amount and type of fenestration employed in a major
34 facility or a critical governmental facility;

35 (c) The amount of insulation incorporated into the design of a
36 major facility or a critical governmental facility;

37 (d) The variable occupancy and operating conditions of a major
38 facility or a critical governmental facility; and

39 (e) An energy-consumption analysis of a major facility or a
40 critical governmental facility.

1 (~~((11))~~) (12) "Major facility" means any publicly owned or leased
2 building having twenty-five thousand square feet or more of usable
3 floor space.

4 (~~((12))~~) (13) "Public agency" means every state office, officer,
5 board, commission, committee, bureau, department, and all political
6 subdivisions of the state.

7 (~~((13))~~) (14) "Renewable energy systems" means methods of
8 facility design and construction and types of equipment for the
9 utilization of renewable energy sources including, but not limited
10 to, hydroelectric power, active or passive solar space heating or
11 cooling, domestic solar water heating, windmills, waste heat, biomass
12 and/or refuse-derived fuels, photovoltaic devices, and geothermal
13 energy.

14 (~~((14))~~) (15) "Renovation" means additions, alterations, or
15 repairs within any twelve-month period which exceed fifty percent of
16 the value of a major facility or a critical governmental facility and
17 which will affect any energy system.

18 (~~((15))~~) (16) "Selected buildings" means educational, office,
19 residential care, and correctional facilities that are designed to
20 comply with the design standards analyzed and recommended by the
21 department.

22 **Sec. 5.** RCW 39.35.040 and 1994 c 242 s 2 are each amended to
23 read as follows:

24 Whenever a public agency determines that any major facility or a
25 critical governmental facility is to be constructed or renovated,
26 such agency shall cause to be included in the design phase of such
27 construction or renovation a provision that requires a life-cycle
28 cost analysis conforming with the guidelines developed in RCW
29 39.35.050 to be prepared for such facility. Such analysis shall be
30 approved by the agency prior to the commencement of actual
31 construction or renovation. A public agency may accept the facility
32 design if the agency is satisfied that the life-cycle cost analysis
33 provides for an efficient energy system or systems based on the
34 economic life of the (~~major~~) facility.

35 Nothing in this section prohibits the construction or renovation
36 of major facilities (~~which~~) or critical governmental facilities
37 that utilize renewable energy or combined heat and power systems.

1 NEW SECTION. **Sec. 6.** A new section is added to chapter 19.280
2 RCW to read as follows:

3 (1) The legislature finds that combined heat and power systems
4 provide both energy and capacity resources. Failure to assess the
5 electric output of combined heat and power systems as both an energy
6 and a capacity resource may result in a failure to account for the
7 total benefits of that output in its posted price.

8 (2) Electric utilities with over twenty-five thousand customers
9 in the state of Washington must value, pursuant to RCW 19.280.030,
10 combined heat and power as having both energy and capacity value by
11 December 31, 2016, for the purposes of setting the value of power
12 under the federal public utility regulatory policies act,
13 establishing rates for power purchase agreements, and integrated
14 resource planning only if an assessment of combined heat and power
15 identifies opportunities for combined heat and power that are
16 dispatchable and that may provide capacity value.

17 NEW SECTION. **Sec. 7.** A new section is added to chapter 19.280
18 RCW to read as follows:

19 (1) The legislature finds that power purchase agreements of a
20 minimum of fifteen years for the electric output of combined heat and
21 power systems may be advantageous to both electric utilities and the
22 owners or operators of combined heat and power systems.

23 (2) Electric utilities with over twenty-five thousand customers
24 in the state of Washington are encouraged to offer a minimum term of
25 fifteen years for new power purchase agreements for the electric
26 output of combined heat and power systems beginning December 31,
27 2016.

28 (3) The commission may authorize recovery of the actual cost of
29 fuel incurred by an electrical company under a power purchase
30 agreement for the electric output of a combined heat and power
31 system.

32 (4) The governing body of a consumer-owned utility that offers a
33 fifteen-year minimum term for a power purchase agreement for the
34 electric output of a combined heat and power system may, every five
35 years after signing the agreement, initiate a fuel cost adjustment
36 process in order to recover the actual cost of fuel incurred by the
37 consumer-owned utility under a power purchase agreement under this
38 section.

1 **Sec. 8.** RCW 19.280.020 and 2013 c 149 s 2 are each reenacted and
2 amended to read as follows:

3 The definitions in this section apply throughout this chapter
4 unless the context clearly requires otherwise.

5 (1) "Commission" means the utilities and transportation
6 commission.

7 (2) "Conservation and efficiency resources" means any reduction
8 in electric power consumption that results from increases in the
9 efficiency of energy use, production, transmission, or distribution.

10 (3) "Consumer-owned utility" includes a municipal electric
11 utility formed under Title 35 RCW, a public utility district formed
12 under Title 54 RCW, an irrigation district formed under chapter 87.03
13 RCW, a cooperative formed under chapter 23.86 RCW, a mutual
14 corporation or association formed under chapter 24.06 RCW, a port
15 district formed under Title 53 RCW, or a water-sewer district formed
16 under Title 57 RCW, that is engaged in the business of distributing
17 electricity to one or more retail electric customers in the state.

18 (4) "Department" means the department of commerce.

19 (5) "Electric utility" means a consumer-owned or investor-owned
20 utility.

21 (6) "Full requirements customer" means an electric utility that
22 relies on the Bonneville power administration for all power needed to
23 supply its total load requirement other than that served by
24 nondispatchable generating resources totaling no more than six
25 megawatts or renewable resources.

26 (7) "Governing body" means the elected board of directors, city
27 council, commissioners, or board of any consumer-owned utility.

28 (8) (~~("High efficiency cogeneration")~~) "Combined heat and power"
29 means the sequential production of electricity and useful thermal
30 energy from a common fuel source((~~7~~)) where, under normal operating
31 conditions, the facility has a useful thermal energy output of no
32 less than thirty-three percent of the total energy output.

33 (9) "Integrated resource plan" means an analysis describing the
34 mix of generating resources, conservation, methods, technologies, and
35 resources to integrate renewable resources and, where applicable,
36 address overgeneration events, and efficiency resources that will
37 meet current and projected needs at the lowest reasonable cost to the
38 utility and its ratepayers and that complies with the requirements
39 specified in RCW 19.280.030(1).

1 (10) "Investor-owned utility" means a corporation owned by
2 investors that meets the definition in RCW 80.04.010 and is engaged
3 in distributing electricity to more than one retail electric customer
4 in the state.

5 (11) "Lowest reasonable cost" means the lowest cost mix of
6 generating resources and conservation and efficiency resources
7 determined through a detailed and consistent analysis of a wide range
8 of commercially available resources. At a minimum, this analysis must
9 consider resource cost, market-volatility risks, demand-side resource
10 uncertainties, resource dispatchability, resource effect on system
11 operation, the risks imposed on the utility and its ratepayers,
12 public policies regarding resource preference adopted by Washington
13 state or the federal government, and the cost of risks associated
14 with environmental effects including emissions of carbon dioxide.

15 (12) "Overgeneration event" means an event within an operating
16 period of a balancing authority when the electricity supply,
17 including generation from intermittent renewable resources, exceeds
18 the demand for electricity for that utility's energy delivery
19 obligations and when there is a negatively priced regional market.

20 (13) "Plan" means either an "integrated resource plan" or a
21 "resource plan."

22 (14) "Renewable resources" means electricity generation
23 facilities fueled by: (a) Water; (b) wind; (c) solar energy; (d)
24 geothermal energy; (e) landfill gas; (f) biomass energy utilizing
25 animal waste, solid or liquid organic fuels from wood, forest, or
26 field residues or dedicated energy crops that do not include wood
27 pieces that have been treated with chemical preservatives such as
28 creosote, pentachlorophenol, or copper-chrome-arsenic; (g) by-
29 products of pulping or wood manufacturing processes, including but
30 not limited to bark, wood chips, sawdust, and lignin in spent pulping
31 liquors; (h) ocean thermal, wave, or tidal power; or (i) gas from
32 sewage treatment facilities.

33 (15) "Resource plan" means an assessment that estimates
34 electricity loads and resources over a defined period of time and
35 complies with the requirements in RCW 19.280.030(2).

36 **Sec. 9.** RCW 19.280.030 and 2013 c 149 s 3 are each amended to
37 read as follows:

38 Each electric utility must develop a plan consistent with this
39 section.

1 (1) Utilities with more than twenty-five thousand customers that
2 are not full requirements customers shall develop or update an
3 integrated resource plan by September 1, 2008. At a minimum, progress
4 reports reflecting changing conditions and the progress of the
5 integrated resource plan must be produced every two years thereafter.
6 An updated integrated resource plan must be developed at least every
7 four years subsequent to the 2008 integrated resource plan. The
8 integrated resource plan, at a minimum, must include:

9 (a) A range of forecasts, for at least the next ten years or
10 longer, of projected customer demand which takes into account
11 econometric data and customer usage;

12 (b) An assessment of commercially available conservation and
13 efficiency resources. Such assessment may include, as appropriate,
14 ((high efficiency cogeneration)) opportunities for development of
15 combined heat and power as an energy and capacity resource, demand
16 response and load management programs, and currently employed and new
17 policies and programs needed to obtain the conservation and
18 efficiency resources;

19 (c) An assessment of commercially available, utility scale
20 renewable and nonrenewable generating technologies including a
21 comparison of the benefits and risks of purchasing power or building
22 new resources;

23 (d) A comparative evaluation of renewable and nonrenewable
24 generating resources, including transmission and distribution
25 delivery costs, and conservation and efficiency resources using
26 "lowest reasonable cost" as a criterion;

27 (e) An assessment of methods, commercially available
28 technologies, or facilities for integrating renewable resources, and
29 addressing overgeneration events, if applicable to the utility's
30 resource portfolio;

31 (f) The integration of the demand forecasts and resource
32 evaluations into a long-range assessment describing the mix of supply
33 side generating resources and conservation and efficiency resources
34 that will meet current and projected needs, including mitigating
35 overgeneration events, at the lowest reasonable cost and risk to the
36 utility and its ratepayers; and

37 (g) A short-term plan identifying the specific actions to be
38 taken by the utility consistent with the long-range integrated
39 resource plan.

(2) All other utilities may elect to develop a full integrated resource plan as set forth in subsection (1) of this section or, at a minimum, shall develop a resource plan that:

(a) Estimates loads for the next five and ten years;

(b) Enumerates the resources that will be maintained and/or acquired to serve those loads; and

(c) Explains why the resources in (b) of this subsection were chosen and, if the resources chosen are not: (i) Renewable resources; (ii) methods, commercially available technologies, or facilities for integrating renewable resources, including addressing any overgeneration event; or (iii) conservation and efficiency resources, why such a decision was made.

(3) Assessments for demand side resources included in an integrated resource plan may include combined heat and power systems as one of the measures in a conservation supply curve. The value of recoverable waste heat resulting from combined heat and power must be reflected in analyses of cost-effectiveness under this subsection.

(4) An electric utility that is required to develop a resource plan under this section must complete its initial plan by September 1, 2008.

~~((4))~~ (5) Resource plans developed under this section must be updated on a regular basis, at a minimum on intervals of two years.

~~((5))~~ (6) Plans shall not be a basis to bring legal action against electric utilities.

~~((6))~~ (7) Each electric utility shall publish its final plan either as part of an annual report or as a separate document available to the public. The report may be in an electronic form.

Sec. 10. RCW 19.280.060 and 2013 c 149 s 4 are each amended to read as follows:

The department shall review the plans of consumer-owned utilities and investor-owned utilities, and data available from other state, regional, and national sources, and prepare an electronic report to the legislature aggregating the data and assessing the overall adequacy of Washington's electricity supply. The report shall include a statewide summary of utility load forecasts, load/resource balance, and utility plans for the development of thermal generation, renewable resources, conservation and efficiency resources, and an examination of assessment methods used by utilities to address overgeneration events. The commission shall provide the department

1 with data summarizing the plans of investor-owned utilities for use
2 in the department's statewide summary. The department shall submit
3 any reports it receives of existing and potential combined heat and
4 power facilities as reported by utilities to the Washington State
5 University extension energy program for analysis. The department may
6 submit its report within the biennial report required under RCW
7 43.21F.045.

8 **NEW SECTION.** **Sec. 11.** A new section is added to chapter 19.280
9 RCW to read as follows:

10 The Washington State University extension energy program may
11 electronically submit an annual report to the appropriate legislative
12 committees on the planned and completed combined heat and power
13 facilities in the state, including but not limited to the following
14 information: Number, size, and customer base of combined heat and
15 power installations in the state; projects that have been publicly
16 considered but have not been developed; and recommendations to
17 further attain the goal of improving thermal energy efficiency.

18 **Sec. 12.** RCW 80.04.550 and 1996 c 33 s 2 are each amended to
19 read as follows:

20 (1) It is the intent of the legislature to exempt from commission
21 regulation thermal energy services provided by thermal energy
22 companies and combined heat and power facilities that are not
23 otherwise regulated under this title. Nothing in this section shall
24 prevent the commission from issuing or enforcing any order affecting
25 combined heat and power facilities owned or operated by an electrical
26 company that are subsidized by a regulated service.

27 (2) Nothing in this title shall authorize the commission to make
28 or enforce any order affecting rates, tolls, rentals, contracts or
29 charges for service rendered, or the adequacy or sufficiency of the
30 facilities, equipment, instrumentalities, or buildings, or the
31 reasonableness of rules or regulations made, furnished, used,
32 supplied, or in force affecting any ~~((district))~~ thermal energy
33 system owned and operated by any thermal energy company or by a
34 combined heat and power facility engaged in thermal energy services.

35 ~~((2))~~ (3) For the purposes of this section:

36 (a) "Thermal energy company" means any private person, company,
37 association, partnership, joint venture, or corporation engaged in or
38 proposing to engage in developing, producing, transmitting,

1 distributing, delivering, furnishing, or selling to or for the public
2 thermal energy services for any beneficial use other than electricity
3 generation;

4 (b) "~~((District))~~ Thermal energy system" means any system that
5 provides thermal energy for space heating, space cooling, or process
6 uses from a central plant or combined heat and power facility, and
7 that distributes the thermal energy to two or more buildings through
8 a network of pipes;

9 (c) "Thermal energy" means heat or cold in the form of steam,
10 heated or chilled water, or any other heated or chilled fluid or
11 gaseous medium; and

12 (d) "Thermal energy services" means the provision of thermal
13 energy from a ~~((district))~~ thermal energy system and includes such
14 ancillary services as energy audits, metering, billing, maintenance,
15 and repairs related to thermal energy.

16 NEW SECTION. **Sec. 13.** A new section is added to chapter 70.94
17 RCW to read as follows:

18 (1) It is the intent of the legislature for a general permit or
19 permit by rule adopted by the department under this section to
20 streamline the permitting process for a stationary natural gas engine
21 used in a combined heat and power system. It is the further intent of
22 the legislature that a general permit or permit by rule be adopted
23 and implemented as the permitting mechanism for the new construction
24 of a combined heat and power system.

25 (2) The definitions in this subsection apply throughout this
26 section unless the context clearly requires otherwise.

27 (a) "Natural gas" includes: Naturally occurring mixtures of
28 hydrocarbon gases and vapors consisting principally of methane,
29 whether in gaseous or liquid form; and biogas derived from landfills,
30 wastewater treatment facilities, anaerobic digesters, and other
31 sources of organic decomposition that have been purified to meet
32 standards for natural gas derived from fossil fuel sources.

33 (b) "Stationary natural gas engine" includes any stationary,
34 natural gas internal combustion engine, whether it is an internal
35 combustion reciprocating engine or a gas turbine. The term does not
36 include a natural gas engine that powers a motor vehicle or other
37 mobile source.

38 (3) This section applies only to a stationary natural gas engine
39 used in a combined heat and power system.

1 (4) The department shall issue a general permit or permit by rule
2 for new stationary natural gas engines used in a combined heat and
3 power system that establishes emission limits for air contaminants
4 released by the engines.

5 (5) In adopting a general permit or permit by rule under this
6 section, the department may consider:

7 (a) The geographic location in which a stationary natural gas
8 engine may be used, including the proximity to an area designated as
9 a nonattainment area;

10 (b) The total annual operating hours of a stationary natural gas
11 engine;

12 (c) The technology used by a stationary natural gas engine;

13 (d) Whether the stationary natural gas engine will be a major
14 stationary source or part of a new or modified major stationary
15 source as those terms are utilized in Title I of the federal clean
16 air act; and

17 (e) Other relevant emission control or clean air policies of the
18 state.

19 (6) In addition to emission limits required by federal and state
20 laws, the department must provide for the emission limits for
21 stationary natural gas engines subject to this section to be measured
22 in terms of air contaminant emissions per United States environmental
23 protection agency unit of energy output. The department shall
24 consider both the primary and secondary functions when determining
25 the engine's emissions per unit of energy output.

26 NEW SECTION. **Sec. 14.** A new section is added to chapter 70.94
27 RCW to read as follows:

28 (1) An owner or operator of an industrial, commercial, or
29 institutional boiler or process heater required to complete an energy
30 assessment under 40 C.F.R. Part 63 subpart DDDDD shall:

31 (a) By January 31, 2018, submit nonproprietary information
32 reported in the energy assessment electronically to the department or
33 air pollution control authority that issues the air operating permit
34 for the source, following completion of the assessment; and

35 (b) By January 31, 2018, submit a report electronically to the
36 Washington State University extension energy program that identifies,
37 if applicable, the economic, technical, and other barriers to
38 implementing thermal efficiency opportunities identified in the
39 energy assessment.

1 (2) An owner or operator of an industrial, commercial, or
2 institutional boiler or process heater who has not completed an
3 energy assessment under 40 C.F.R. Part 63 subpart DDDDD must request
4 a free combined heat and power site qualification screening from the
5 United States department of energy.

6 (3) The requirements established in this section shall not apply
7 to an owner or operator of an industrial, commercial, or
8 institutional boiler or process heater if:

9 (a) The owner or operator is not required to complete an energy
10 assessment under 40 C.F.R. Part 63 subpart DDDDD as it existed on the
11 effective date of this section; or

12 (b) Prior to the dates in subsection (1) of this section, the
13 owner or operator is no longer required to complete an energy
14 assessment under 40 C.F.R. Part 63 subpart DDDDD.

Passed by the House June 28, 2015.

Passed by the Senate June 30, 2015.

Approved by the Governor July 6, 2015.

Filed in Office of Secretary of State July 7, 2015.

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